

ISSUE PAPER ON US DEFENSE RELATIONS WITH INDONESIA

by

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US INTERESTS

The Indonesian archipelago, stretching three thousand miles across the equator from mainland Southeast Asia to the Southwest Pacific, acts as the Northeastern boundary of the Indian Ocean. Even more importantly from a geostrategic point of view, it functions as either a bridge or a barrier, depending on the nature of the relationship with the controlling authority, connecting or separating the East Asian region from Indian Ocean/Persian Gulf domain. The deep-draft navigable straits that permit naval and merchant ship access are, through the application of the "archipelago principle" of jurisdiction over territorial waters and claimed territoriality of the Malacca Straits, subject to whatever degree of constraint that Indonesian authority desires or is capable of enforcing. The United States and Japan have an important interest in promoting relationships with Indonesian authority that will further friendly access to and through the archipelago as that capability increases.

Indonesia itself is a resource-rich country which, from the accession of the "new order" government of President Suharto in 1967, became a fertile field for foreign investment and development. The United States, along with Japan and other Western-developed

economies, has built a substantial economic interest in Indonesia. Since 1967, US private investment in Indonesia has exceeded \$3,000 million, four-fifths of which is petroleum-related. Indonesia has been disappointed in the relatively small proportion of nonpetroleum-related US investment, since Jakarta desires foreign economic interests countervailing Japan. In the period 1967-75, US economic assistance was \$1,422 million.

In non-Communist Southeast Asia, Indonesia has emerged as the most important single actor. Its population of approximately 130 million makes it the fifth most populous country in the world. Indonesia's leadership role, however, derives from more than just the politics of arithmetic. Its self-consciously confident elite has, as an underlying assumption of its regional foreign and security policy role, the premise of natural leadership based not only on existing inequalities in the local power distribution, but also on expectations of greater future power disparities.

Indonesia's role of regional leadership can be seen operating on two overlapping levels. In the framework of regional collaboration, particularly in the Association of Southeast Asian Nations (ASEAN), the Indonesian voice appears controlling, if sometimes as a negative. In the field of security planning and cooperation, Indonesia seems to be fashioning a role as the anchor of a southern "core" power area explicitly balancing the Hanoi-centered northern "core" power area. US political and security interests in Southeast Asia as they relate to continued access to the region and the maintenance of

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nonhostile governments are congenial to these Indonesian political orientations.

Another US interest in Indonesia that is beginning to assume importance is in the Indonesian position in the increasingly acrimonious and economically destabilizing North-South debate. In the various international economic forums in which the issues have been aired, the Indonesian voice has been generally reasonable and moderate, when compared to the more radical Third World spokesmen. This is also characteristic of the Indonesian voice in the nonaligned group.

US-INDONESIAN RELATIONS

Since 1966, the United States has been responsive to the economic, political, and security requirements of the Indonesian government and has built a friendly relationship which is founded on a mutually pragmatic appreciation of interest in the absence of natural cultural, historical, ideological, or other intangible links. Important to the evolution of that link has been US sensitivity to Indonesian nationalism.

The United States has been an important contributor to the international rescue effort that successfully salvaged the wreckage of Sukarno's "guided economy." The US role, however, has been one usually described as "low profile," which has sought cooperation without suggesting intervention or domination.

In the political realm as well, the United States has acted with restraint, welcoming Indonesian implicit endorsement of the US effort in Indochina and common perceptions of political threat, but not presuming on them.

Although there were immediate political tremors in Indonesia as a result of the Indochinese collapse and its implications for a future threat and the credibility of the US presence, at the moment there does not appear to be any significant alteration in the quality of US-Indonesian relations. In fact, President Ford's visit to Jakarta in December 1975 seems to have had the desired effect. US-Indonesian agreement on annual ministerial consultations, the first of which

was held in Washington in June 1976, underlined the growing importance of the Indonesian connection to the United States.

US-INDONESIAN SECURITY RELATIONS

Indonesian security policy is founded on the doctrine of "national resilience," that is the mobilization and utilization of the nation's own tangible and intangible resources in defense of its self-defined interests. Its military strategy is territorial defense. In military planning terms this means the building of armed forces that have both a conventional capacity for archipelagic control as well as the ability to execute counterinsurgency operations.

Although the doctrine of "national resilience" rejects entangling defense arrangements or mutual security treaties, it does not reject cooperation and assistance in developing the armed forces' capabilities to carry out their mission. Here, too, the United States has been responsive to the requirements presented by the Indonesian government.

Between 1967 and 1975, US military assistance to Indonesia totaled nearly \$150 million. As important as the hardware that was transferred has been the effort to modernize the Indonesian Army's management capabilities along US lines. A US Defense Liaison Group has been assisting in this endeavor and, with its assigned personnel

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and visiting teams, has been able to contribute to the development of Indonesian Army skills in resource management, planning, and programming.

CURRENT DOMESTIC SITUATION IN INDONESIA

Political authority in Indonesia remains in the hands of an army leadership that, despite some internal divisions, still is essentially cohesive when facing the nonarmy environment. Loyalty to President Suharto is unimpaired. Preparations are underway for the spring 1977 elections. These elections will take place under guidelines and controls that will limit the extent of oppositional activity. Within the civilian segment of Indonesian political life there does not appear to be coherent opposition to the essentially authoritarian rule. The intellectual corruptness of the Moslem political parties and the undistinguished maneuverings of the remnants of Sukarno's secular supporters suggest that there is no reasonable alternative to the economic and social modernizing programs of the largely US-trained "technocratic" cadre underpinning the military's supporting civilian bureaucracy, despite the weaknesses listed below.

The leadership is still trying to come to grips with the task of picking up the pieces of the Pertamina crash. The bursting bubble of this oil-based state conglomerate in 1975 left the country with a new foreign debt burden of \$10 billion. The whole Pertamina affair illustrated the strengths and weaknesses of the Indonesian style of leadership. The toleration of General Ibnu Sutowo's abuse of power in Pertamina was a function of notions of loyalty. The quick, decisive intervention by the "technocrats," once Suharto brought himself to dump Sutowo, has limited the ripple effects of the disaster through the economy, although mocking the goals of the second five-year plan.

Certainly the Pertamina crisis has accentuated a growing problem which, if not managed properly, could lead to future crisis; that is the size of Indonesia's external debt.

By assuming the Pertamina burden along with its other long and short term international obligations, the government now is faced with the probability that by 1980 over 20 percent of its foreign exchange earnings will go to servicing the external debt. This fact must be viewed in conjunction with a deterioration in the foreign investment climate in Indonesia which has been caused by stiff new Indonesian demands on the oil industry and growing nationalist concern about foreign, particularly Japanese, economic dominance. This, combined with declining oil receipts, suggests that a new round of debt-rescheduling will be necessary in the short run.

Underlying the day-to-day problems of domestic policy are some disturbing factors and trends which cast doubt on the long-range ability of the current leadership to maintain themselves without resorting to increasingly coercive measures of control. Most observers would agree that the sectoral emphases of the development programs adopted by the Suharto regime have had the effect of increasing the disparity in Indonesia between the haves and have nots, and have heightened rural inequalities. Gross un- and underemployment, continually aggravated by population growth, distort all measures of economic development. The political consequence is, of course, heightened social antagonism. The increasing gap between the urban well-off (often military) and the urban poor and rural peasant is accentuated by the existence of all-pervasive corruption in both military and civilian bureaucracies. The Chinese residents of Indonesia continue to be emotional and political scapegoats for structural and institutional shortcomings in the economy.

In the mid-range period, the problems appear to be politically manageable so long as there is no return to the kind of political turmoil that Indonesia experienced in the mid-1960's. Irrespective of whether Suharto decides to run for reelection in 1978, all projections of basic stability rest on assumptions of continuity of military authority.

INDONESIAN SECURITY POLICY TRENDS

The Indonesian military decisionmakers are extremely sensitive to the internal and external threats of Communism both in terms of subversion and in the form of state power from an enemy to the North. They are preoccupied with the problems of security and stability, both domestically and as requirements for regional development. Four principal policy trends directed toward these ends can be identified:

- Unilateral military and political intervention in immediately adjacent areas where power can be brought directly to bear when relatively high levels of presumed threat and instability are perceived. Examples of this are in East Timor (military) and Sabah (political). Possible future areas of intervention include Papua New Guinea. Such acts could lead to political conflict with its neighbors, particularly Australia, and raise again the spectre of Indonesian regional imperialism.

- The implicit Indonesian strategic guarantee to Malaysia. For Indonesian military planners, their forward defense line is at least on the Malaysia-Thai border. This has been structured around informal and formal bilateral security arrangements and contingency planning. Although Indonesian attention is directed towards the concern about Thai weakness and the spread of insurgency down the peninsula and ultimately to Indonesia, Malaysian perceptions of the Indonesian relationship also envisage Indonesia as the ultimate guarantor of a Malay Malaysia and raise questions about an eventual Indonesian role in any future racial strife in Malaysia.

- Diplomatic equidistance and nonalignment. Indonesia seeks to insulate itself from the global antagonisms of great power politics and at the same time to neutralize possible extraregional antagonists. Normalization of relations with the People's Republic of China will probably occur either

after the spring 1977 elections or after the expected reelection of President Suharto in the summer of 1978.

- Maintenance of its great power link to the United States. In the wake of Vietnam, rather than seeking to hasten US departure from the region, as was the case in Thailand, Indonesia has sought further assurances of US commitment to its interests in the region. It privately supports the US naval presence in the Indian Ocean. It wishes the United States to retain its bases in the Philippines. The fall of Vietnam and the emergence of the Democratic Republic of Vietnam as a powerful regional actor have given new urgency to the Indonesian military's task of modernization, and it seeks new and larger commitments of American support both in grants and credits and in sales to this end. This latter task was made even more urgent by the shortcomings evident in the relatively limited Timor operation.

IMPLICATIONS FOR US POLICY

The continued congruence of US and Indonesian interest, particularly in the area of US security assistance to Indonesia, is subject to a number of possible disruptions, among which are included:

- Increasing reluctance on the part of Congress to authorize assistance to those countries in which the US security interest is not directly and obviously relevant.

- Concern that US involvement in Indonesia might lead to a deeper security connection that could again result in US military intervention in Southeast Asia—the Vietnam syndrome.

- Growing Congressional concern about the status of human rights in recipient countries, including the problem of political prisoners in Indonesia.

- Possible apprehension on the part of other friendly states, including Australia, about the long-range problems of coexisting with a large and powerful Indonesia.

- The possibility that, within Indonesia itself, social and economic pressure might force the government to arbitrary measures of repression against its own population.

- Growing economic nationalism in Indonesia, partly in response to a deteriorating position in the international economy, leading to arbitrary acts against foreign investment.

- Pressures from the American side to transform the naturally evolving relationship with Indonesia into a dependent or surrogate one.

In Indonesia itself, there appears to be an appreciation of the kinds of problems noted above. The Indonesian government has been sensitive to American concerns in a number of areas including the human rights question. Furthermore, the Indonesian government insists on the kind of arrangement that would not involve a military commitment.

CONCLUSIONS

- The United States continues to have important political, economic, and security interests in Indonesia.

- The current web of US-Indonesian relationships is founded on a pragmatic and realistic appreciation of interest and the limits to possible or desirable contacts.

- Indonesian policy towards the United States is realistic and *quid pro quo* oriented, unencumbered by ideology or notions of loyalty.

- In Indonesia itself, there is no immediate threat to stability of the regime, and hence the US relationship, but there exist disturbing questions about future stability.

- Indonesian security goals in Southeast Asia are such that American interests do not

conflict, and in fact are complementary, at least in the mid-range period.

- Indonesian requests for US assistance are based on realistic appraisals of need in the framework of comprehensible doctrine and strategy and are cognizant of the political limits to US responses.

POLICY RECOMMENDATIONS

- The United States should continue to build a friendly, quietly active, cooperative relationship with Indonesia, seeking to promote our political, economic, and security interests in the country and the Southeast Asian region.

- As long as Indonesian requests for security assistance do not conflict with our relations with other countries in the region, efforts should be made to respond affirmatively, so far as economically and politically feasible.

- In the newly mandated review of military assistance advisory-type groups and the requirement for justification of the continued existence of those deemed essential, serious consideration should be given to the retention of the United States Defense Liaison Group in Indonesia.

- The United States should not, in word or deed, give the hint of pressure for the militarization of ASEAN, nor press for formal military and political ties with Indonesia.

- Territorial waters problems with Indonesia should, as far as possible, be settled within a multilateral framework.

- The United States should be prepared to respond affirmatively to Indonesian initiatives to release itself from pressing burdens of short-term debt. This means that US grant aid should continue to be justified.